SSC RPC Springfield-Sangamon County Regional Planning Commission

Planning Matters

July 2012

ABOUT THIS PAPER:

As part of their comprehensive planning activities, more-and-more communities are beginning to include economic development as a plan component. Often they request guidance from local and regional planning entities as to how they might best structure and approach economic development planning.

This paper attempts to provide some guidance concerning the elements of a reasoned approach, noting that there is no single approach as communities may differ in both economic development needs and interest.

The paper does, however, offer suggestions as to how a community might think through economic development planning, implementation and assessment, noting some pitfalls that communities often discover.

Thinking About Economic Development Planning, Programming and Assessment:

Considering Economic Development as a Component of Comprehensive Planning

By Norm Sims

Introduction

Economic development planning is often included as a component of local comprehensive planning and plan implementation. Unfortunately, addressing economic development in its many forms is most often not as simple as addressing the location of roads or rules of land use. This being the case, it was believed useful to review at least a few of the aspects of economic development that should be considered in local plan development.

This paper does not provide a checklist-like approach that can be used in all situations, as we believe that the economies and desires of communities can be quite different; including the desires of communities wishing to restrict growth. Nevertheless, we do believe that there are enough commonalities to provide some general and strategic guidance built upon past practice and an understanding of the problems that typically arise when communities plan strategically for economic growth.

With this understanding, and acknowledging that there are many different opinions as to how economic development efforts should be addressed, from a comprehensive planning perspective the SSCRPC believes that three functions must be considered by a municipality interested in sustained growth:

- **Economic development *planning***, which addresses the identification of the current economic conditions in the area, growth goals which the community desires to achieve, and the strategies that will be employed to achieve them.

  For the purposes of comprehensive planning, we will make a distinction between *strategies*, which answer the question, “What ought we to do?” to achieve our development goals, and *tactics*, which answer the question, “How ought we to do it?” Please note the important distinction being drawn between strategies and tactics, as these terms will be used throughout this paper. For the purposes of economic development planning, strategies tend to describe the *approaches* that the community will take to achieve growth goals, while tactics typically address the *projects, programs, or activities* necessary to implement the strategies.

- **Economic development *programming***, which addresses and details the projects, programs and activities that the economic developer will conduct to implement the identified strategies, their priority and staging. These projects, programs and activities represent the tactics mentioned above and are intended to move the plan from concept to implementation.

- **Economic development *assessment*,** which provides the measures or metrics necessary for the economic developer to determine the extent to which the identified strategies are achieving their intended results. The assessment of strategies will typically be measures of *outcome*, while the assessment of tactics will typically be measures of *activity* or *process*.

This being the case, our focus on economic development planning, programming and assessment is undergirded by three additional notions about what constitutes the basic elements of a successful economic development effort. The suggested approach is largely drawn from research conducted previously at the state and national levels that resulted in the formulation and establishment of the State of Illinois' Competitive Communities Initiative (CCI) for local economic development. The original CCI concepts and process were subsequently adapted for use in a number of other states and localities, and provide a reasonable starting point for this discussion.

The three understandings are that:

- The economic development process is made up of some simple basic *components* that are sometimes not fully appreciated but must be considered during economic development planning, programming, and assessment.

- At the leadership level, focusing on *strategies* may be more fruitful than focusing on activities; the *tactics*.

- When evaluating economic development program success, the metrics or measures used for assessment should be associated with *those things under the economic developer's control*. They should also link logically to the strategies selected.

We stress these three items because research and experience suggest that local economic development efforts can fail for many reasons, but from a planning perspective they most commonly fail because of misunderstandings about the three items mentioned above.

Since the municipality for which the plan is being developed often operates as the local economic developer – or operates as such through some agent, such as an economic development office, economic development council or local chamber of commerce – we will address it as the "economic developer" in this paper.

Economic Development Planning: Applying a Simple Formula

It is important to begin any discussion with a clear understanding of the nature of the task. This is particularly true in regards to economic development as the term means different things to different people. It is also important to municipal leadership because, as mentioned above, for the purpose of influencing growth, the municipality may well be serving as the economic developer.

Without a clear understanding of the task, the purposes for the economic developer's efforts can become ambiguous and lead to misunderstandings. There may even be disagreements as to the problems and opportunities that are to be addressed, how they should be targeted and prioritized, and debate over the economic developer's actual performance.

Economic Development is an Outcome, Not an Action

One way to understand the basic components of economic development is thorough a simple algebraic equation: ***(CD + BD)L = ED***.

As one might guess, the ***ED*** in the equation stands for ***Economic Development.*** But what is often misunderstood is that, as the formula above suggests, economic development is not something that the economic developer *does*, but is the *outcome* and *product* of what is done. It is the result of local efforts, but is not the efforts themselves.

For example, while an increase in jobs may be a desired outcome of the economic developer's efforts, those overseeing the task must understand that the economic developer does not create or retain jobs; employers do. At the local level the creation or loss of jobs most often is an outgrowth of larger market dynamics beyond the control of the economic developer. That does not mean that the economic developer does not play a role. In their planning, municipalities can and should entertain and take actions that have a positive impact on job creation.

So how do we produce the outcome and what role does the economic developer play? The economic development formula suggests that there are three fundamental factors involved that the economic developer can influence either directly or indirectly.

The first is ***Community Development,*** the ***CD*** in the formula, while the second, ***BD***, stands for ***Business Development*****,** and ***L*** represents the influence of ***Leadership***. So under the formula, Economic Development is the result of successful Community and Business Development efforts, which are multiplied by active and effective Leadership.

The economic developer needs to understand that in many ways BD and CD are inter-related, and that by strengthening one the economic developer can make up for a weakness in the other. Additionally, the formula suggests that weaknesses *and* strengths in BD and CD can be multiplied by the presence or absence of effective Leadership.

So how is this done? In its most elemental form, the economic developer is looking to (i) identify the local strengths and weaknesses that affect long-term and sustainable growth, (ii) formulate approaches (strategies) to build upon strengths and overcome weaknesses, and then (iii) devise specific efforts (tactics) to successfully implement the strategies.

This being the case, the economic developer needs to consider both the current economic conditions in the area and the strategies that need to be implemented to multiply local strengths and mitigate weaknesses in the three growth components mentioned above (CD, BD and L) vis-à-vis its competitors. All subsequent activities flow from this analysis of conditions in the area and the strategies identified to multiply strengths and off-set or improve local competitive weaknesses.

In the Beginning: Assessing the Local Competitive Position for Economic Development Planning

Since economic development strategies are intended to advance a community's strengths and address its weaknesses, effective planning requires that its economic strengths and weaknesses be known. There are a number of competitiveness factors that should be considered in this analysis. To begin, assessing the local market must include some general data collection and analysis, including:

- **Developing an objective description of the market area** in terms of past, present, and anticipated business activity trends. Consider the Key Planning Question: *What has happened in the area, and why do we think that these changes have occurred?*

- **Developing a detailed layout of the area**, including streets, existing and proposed highways, railroad access, topography, land use, zoning patterns, and presence or absence of overlapping political subdivisions. Key Planning Question: *How might these factors advance or retard local growth and development, and what role have they played in the trends we have seen, or expect to see in the future?*

- **Assessing the distance and means of access to major metropolitan areas**, including all relevant transportation modes. The economic developer must keep in mind that some goods – like intellectual properties – and services can be provided fully by electronic means, so these means of access must also be included in the local evaluation. Key Planning Question: *How do products, product inputs, and consumers move from one place to another in the market area?*

- **Identifying locations or areas in the municipality in which certain types of businesses** (e.g., retail or wholesale trade) **dominate.** Businesses tend to cluster, grouping together. On the retail side, this grouping may be due to customer location and access. On the industrial, on the other hand, one often finds suppliers wanting to locate near their buyers and buyers wanting to locate near their suppliers. Knowing where and why businesses are tending to locate where they do is useful to local economic development planning. Key Planning Question: *Where are local businesses clustering and why?*

- **Analyzing the market effect of local population trends**, including population growth, age composition (particularly 15-19, 20-44, and 45-64 age groups), sex composition, racial and ethnic composition, and any institutional populations. Key Planning Question: *How might the demographics of the area affect sales, development policies, and workforce?*

- **Assessing the effects of income trends**, including per capita and median household income, disposable or discretionary income, and size of various income groups. Key Planning Question: *How might income dynamics affect sales, development policies, and workforce?*

- **Identifying local consumer characteristics**, including such things as average family size, occupations, home ownership, and auto registration. Key Planning Question: *How might these characteristics affect sales, development policies, and workforce?*

- **Identifying retail sales trends**, including division of sales by retail categories, seasonal variations in trade, and items of unusual local demand. Key Planning Question: *What is occurring in the retail market place that would advance or retard future growth and development?*

- **Collecting information pertaining to the market by type of enterprise**, including major enterprises by industrial code, major industrial purchases and output (an input-output study of the area if available), trend of enterprises moving into and out of the area (and reasons for moves if known), growth enterprises (including announced facilities not yet built), and branches of nationally known firms. Key Planning Question: *What are the points of leverage or attraction in the area that might assist in strategy development?*

- **Assessment of the competition in the municipality's market area,** including past growth by industry classification in the area's competitor communities, and sales into the area by company as compared with competitors in the market area, if known. Key Planning Question: *What pressures do we expect from competitor communities that should be considered in strategy development?*

What is suggested is that as part of the economic development planning process, the community objectively review the information collected concerning the items mentioned above, determine how this data compares with other communities in its market region, and then begin to ask questions about the improvements that the community might envision related to the strengths and weaknesses of its competitive position.

More areas in which data needs to be collected and analyzed will be addressed below in regard to Community Development strengths and weaknesses.

The Foundations for Growth: Considering Community Development (CD) in Local Economic Development Planning

Economic developers most often begin their planning activities by focusing on individual businesses or groups of businesses, but as our simple economic development formula suggests, aspects of the *community* must be considered if growth is to occur. Businesses locate in *places*, communities, and often draw competitive strength from the resources and opportunities that the region or community in which they are located (or in which they are considering locating) provides.

Community development efforts focus on these critical resources and opportunities, and therefore CD strategies are intended to reduce or mitigate weaknesses as well as build upon the strengths of the basic place-based "foundations" for business growth. The reader should note that the analysis of the strengths and weaknesses of a locality's CD foundation areas requires additional data collection and analysis beyond that required to obtain a snapshot of the local marketplace.

We believe that the strengths or weaknesses of six foundation areas are critically important to local economic growth and, therefore, to local economic development planning. They are:

- **The presence of a skilled and adaptive workforce, including workers whose skills are well matched to current and future business enterprise needs.** While an educated workforce is critical to long-term economic success, what is important in strategy development for an actionable program is the relationship of workforce skill sets to the businesses the community wishes to retain, expand and attract. This foundation area calls for the community to be able to demonstrate a workforce with:

    - Strong basic skills, including reading, writing, math, and communication.
    - Critical-thinking and problem-solving skills.
    - Technical and administrative skills specific to the present and desired industry mix.
    - Professional or managerial skills that can support the industry mix.
    - Business owners *and* workers with an entrepreneurial mind-set.
    - Easy access to necessary continuing education.

- **The availability of good basic and advanced infrastructure**. This includes such typical public infrastructure as roads, sewer and water, and electrics, but depending upon the industry or enterprise group might also include such things as advanced telecommunication and information delivery systems. This foundation calls for the community to be able to demonstrate such things as:

  - Cost efficient access to water, sewer, power, waste disposal, research parks and incubators.
  - Linkage to global infrastructure, including transportation, communication, data exchange, and export services.

- **Access to technology and intellectual capital.** This foundation area is intended to address those things needed for business modernization and new product and process development. This foundation calls for the community to be able to demonstrate access to:

  - Current technologies and equipment for the transmittal of information, products and materials.
  - Resources that support applied research and development.
  - Technological and intellectual facilities such as research parks and incubators.
  - The capacity for concept and product development.

- **The availability of financial capital for business expansion and development**. Existing businesses cannot grow without access to capital, and businesses seeking to locate in an area will also desire a demonstration that their future capital needs can be met. This foundation calls for the community to be able to demonstrate:

  - Availability of financing for product expansion and refinement.
  - Expansion capital for new and existing facilities and equipment.
  - Resources for new technology, research and development.
  - Capital availability for new business start-ups.

- **The presence of pro-competitive policies affecting local business climate.** Businesses locate in places and these places are subject to the rules and regulations established by the policies of their local governments. As their success or failure may be affected by governmental policies, the extent to which government adopts pro-competitive policies affects the local business climate. This foundation calls for the community to be able to demonstrate:

  - Access by the business community to those who influence public policies affecting business climate, so that their business needs can be heard.
  - The adoption of a comprehensive plan for development and a capital plan for the maintenance of infrastructure.
  - The elimination of taxing policies that are not in line with benefits received.
  - The provision of stable, predictable and fair tax rates.
  - A tax burden that is not dissimilar to that found in other communities in the competitor region.
  - The ability to coordinate across program, municipal department, and jurisdictional lines.

- **Existence of the social infrastructure and amenities necessary for a high quality-of-life.** As the economy is more-and-more driven by businesses that require employees with higher degrees of technological training and specialized skills, businesses are finding it difficult to attract the employees they need to areas that lack social and cultural amenities or exhibit a poor quality-of-life. This foundation area calls for the community to be able to demonstrate:

  - Good public safety and welfare, environmental quality, adequate and affordable housing, and competitive cost-of-living.
  - Social, cultural and recreational amenities that create a compelling and positive community image, provide unique attractions, a distinguishing community character, and access to parks, recreation and entertainment opportunities.

What is again suggested as part of the economic development planning process, is that the community collect and analyze relevant data pertaining to each of the six foundation areas, and then assess the community's strengths and weaknesses. They should be assessed both in terms of how these strengths and weaknesses might be reflected in the local economy, but also how they might positively or negatively affect business growth for certain types of enterprises. This will be addressed further below.

It is important for a community to understand that it need not have strengths in all of the areas mentioned, indeed few communities do. But to the extent that it can demonstrate and build upon its strengths while mitigating or overcoming its weaknesses, it becomes better positioned for long-term and sustainable growth.

Retention, Expansion and Attraction: Considering Business Development (BD) in Economic Development Planning

As is often noted, business development is made up of actions to achieve three desired results: 1) the *retention* of the community's existing business base; 2) the *expansion* of those businesses; and 3) the *attraction* of new businesses. What are sometimes misunderstood are the basic components of retention, expansion and attraction.

It is intuitive that we want to maintain our current businesses, but what economic developers often lose sight of is that some businesses are more critical to both long-term stability and growth than others. Three particular groups of job creators require special attention in our planning and programming, and for the purposes of this paper we will call them ***core*** enterprises, ***supporting*** or ***linking*** enterprises, and ***new market*** enterprises.

<u>*Core Enterprises:*</u> As the name suggests, core enterprises are existing business *clusters* or groupings (including not-for-profits) that make up the basic local economy and drive it. They can in part be identified by the fact that they would be particularly noticed in the local economy if they are allowed to deteriorate or are lost.

In the Springfield-Sangamon County region, for example, core enterprises exist in such sectors as agriculture, government, retail trade, health care, hospitality and tourism, and so forth. Since the businesses in these sectors are such a critical element of the local economy, the economic developer looks for strategies to strengthen them in the marketplace so as to ensure their continued existence and growth. The developer may also look at how the existence or absence of other businesses in the region might positively or negatively affect its core businesses. This leads to a consideration of supporting or linking enterprises.

Supporting or Linking Enterprises: Supporting or linking enterprises are those that serve the core enterprises or link their business activities together. They are most often suppliers to the core enterprises (like hotels for tourism, or wholesale suppliers to retail establishments), but may also be buyers (like food processors or grain shippers for agriculture). The economic developer looks for strategies that strengthen these enterprises as the core enterprises are only as strong as their buyers and sellers, and a loss of a supporting enterprise may lead to the loss of one or more core enterprises.

But the economy is not static, and even core and supporting enterprises can create new growth opportunities. This leads the economic developer to consider the potential for new growth opportunities in the marketplace.

New Market Enterprises: As the name suggests, new market enterprises are those that are opening up new market segments or are actively bringing new products to market. As noted above, this can include core and supporting enterprises, but more often these businesses are small, entrepreneurial firms that may get lost when we look only at the larger local economy. As an example, in the Springfield area this might include an enterprise that has found a new use for a pharmaceutical product or a medical technology that has come out of the core health care cluster, or has developed a medical device that is new to the marketplace.

It is important to understand that new market enterprises also include businesses that are not currently in the region but are desired for the purpose of increasing sector diversity. They then become part of a business attraction strategy

With the above in mind, the economic developer's next planning task is to identify the core, supporting/linking and new market firms in the locality and the forces acting for and against their retention. Then the economic developer can identify the approaches that might be considered to strengthen the forces supporting retention while eliminating or mitigate those acting against them.

The same holds true for business expansion. The economic developer's task is to identify barriers to the expansion of core, supporting/linking and new market enterprises, and then formulate strategies to eliminate or overcome them. For example, if an enterprise has limited growth potential because it does not have access to a local source of supply, the economic developer may want to develop a strategy to target suppliers and make them a part of a larger business attraction strategy. Business attraction will be discussed below.

A related task for expansion, which is equally important, is to identify the existing market strengths of these three types of enterprises and then formulate strategies that help build on these strengths. For example, if a supporting enterprise is limited by not having enough buyers in the immediate area, the economic developer may want to develop a strategy to assist the enterprise in identifying additional regional buyers or external buyers, and provide assistance in reaching out to them.

From a planning and programming perspective, business attraction is only slightly different in that it typically focuses on two groupings of enterprises: businesses that fill voids in the supporting/linking enterprise mix, as mentioned previously, and those that diversify the local economy. But it is important to understand that diversification is not a goal in-and-of-itself. The economic developer needs to consider the end result he or she has in mind in promoting enterprise diversity. For example, shoring up an economy that is seeing a decline in one or more of its core business sectors (like the reduction of State employment in Springfield-

Sangamon County), may require different strategies than attempting to stabilize a local economy that is often affected by cyclical economic downturns due to a rather limited core business base (like the auto industry in Flint, MI).

The economic developer must also understand that one seldom "retains" or "grows" diversity. It must be attracted, and serious thought should be given as to how these enterprises will be targeted. The economic developer must understand that in thinking about development in this way, he or she cannot adopt the strategy, "Shoot at it if it flies, claim it if it falls." There is a purpose to the developer's actions based upon a matrix of potential strategies that looks something like Figure A, to the right.

FIGURE A: Strategy Matrix

	Retention	*Expansion*	*Attraction*
Targeted Core Enterprises	**Strategy**	**Strategy**	**Strategy**
Targeted Supporting Enterprises	**Strategy**	**Strategy**	**Strategy**
Identified New Market Enterprises	**Strategy**	**Strategy**	**Strategy**

The task is, of course, to identify the strategies that support retention, expansion and attraction for each of the identified enterprise groups. The shading of the strategy blocks is intended to provide some idea as to the general importance of each enterprise group vis-à-vis retention, attraction and expansion. This of course presumes a reasonable mix of existing core and supporting enterprises. In a community with few if any core businesses, the community may wish to devise a strategy that focuses primarily on attraction. The same may be true of a community with a sound, but limited, base of core businesses. It may wish to focus on attraction solely to diversify its limited business base.

To inform economic development strategies, some attention needs to be given to answering the following questions:

- What are the primary *core*, *supporting/linking* and *new market* enterprises around which the municipality wishes to develop its growth strategies?
- What are the strengths and weaknesses of the primary enterprises identified?
- What currently identified strategies link to what enterprises and support them, and what are the primary enterprises for which strategies have not been identified?

What the municipality may find is that many of the barriers to growth will not be inherent to the enterprises themselves, but instead arise from aspects of the community's basic foundations for business retention, expansion and attraction. Strengthening these foundations must be considered in strategy development.

The Economic Development Multiplier: Leadership

While people often talk about leadership and its importance, there is little agreement as to how it should be defined or even when it presents itself. In the opinion of the SSCRPC, committing time and resources to the development of an economic development plan of the type indicated in this paper is a demonstration of leadership in-and-of-itself. Unfortunately the development of a plan alone is not sufficient for a community's economic development success.

What we believe is most important to strategy development and implementation, is an understanding that many hands must be put to work for an economic development plan to be successful, and the effective coordination of those many hands – including both those in the public sector as well as those in the private – provides a multiplier for economic development success.

Each person and entity involved in economic development strategy development and implementation will be biased by their own individual and organizational self-interests, because every individual and party to the process has goals at least somewhat different from every other party, and these other goals are often different from the goals included in the economic development plan. This is sometimes due to territoriality, but it may also be due to policy differences, different levels of ability and capability, and even taste or personality.

These differences can cause divergence from the plan, and the implications of this divergence to plan implementation (and therefore plan success) are apparent. Economic development planning and plan implementation must rely heavily on the willingness of all the parties to the process to share information, take on new roles, adopt new strategies, and change the nature and scope of their personal and organizational goals. The willingness of the involved parties to do such things voluntarily without constant administrative oversight, regulation and exhortation, is central to plan success and is typically the hallmark of leadership.

It is also critical to leadership that the plan create some clear vision of success. It is not uncommon for economic development plans to simply become a listing of activities to be carried out or projects to be conducted. When this occurs, the plan's implementation and assessment suffer, with the local economic development program simply becoming a patchwork quilt of short-term activities that do not refer back to the larger strategies the plan addresses. This leaves the various parties involved in the effort wondering how the "patch" for which they are responsible is related to the whole. It is not uncommon that when the various parties do not see the importance of their efforts to achieving the vision, additional plan divergence occurs.

This divergence can also occur in other forms, particularly the establishment of activity or programmatic "silos". Since local economic development activities require that many actors be involved, the tasks are often organized around municipal units, committees or taskforces. If these subgroups do not understand the relationship of their activities to the whole, they will often lose their enthusiasm leading to a loss of effort over time. More importantly, as they are working in silos, the over-all effort may come to the point where it lacks the ability to identify and solve problems that cross unit, committee and taskforce lines.

By creating a vision that ties all of the strategies together and achieves some coordination of strategies and tactics, economic development leadership is able to multiply its ability to add to local competitive strengths while reducing local weaknesses.

Leadership, then, entails the community's ability and willingness to effectively:

- Assess the situation, honestly and correctly indentifying competitive strengths and weaknesses;
- Develop a compelling vision of the economic future it wishes to have;
- Set reasonable and appropriate goals that arise from that desired vision;
- Arrive at strategies that will achieve its goals;
- Develop and implement the projects, programs and activities necessary to carry out the strategies;

- Achieve the clear communication, coordination and cooperation necessary to overcome the biases and break down the silos that the various involved actors bring to the effort;
- Direct the plan toward completion; and
- Continuously evaluate whether or not it is trending toward success, and if not, why not.

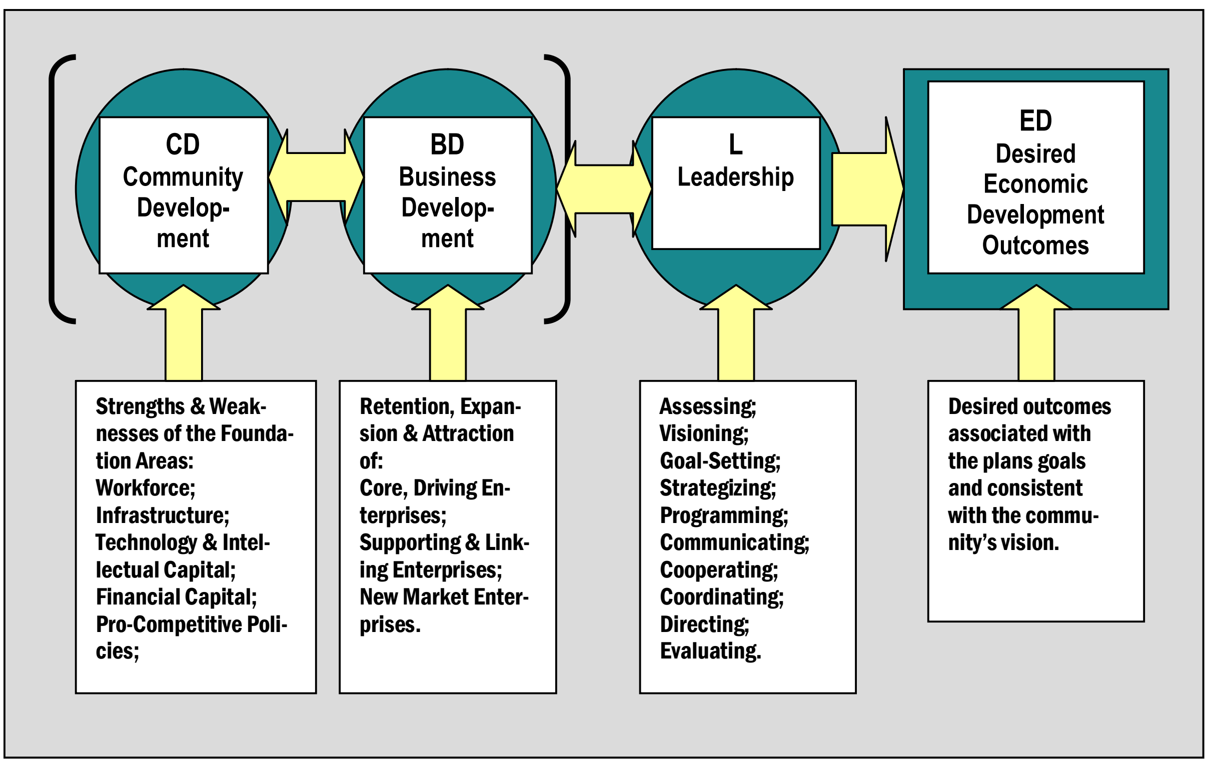
Reconsidering the Basic Economic Development Equation

With the above in mind, we can now reconsider the basic economic development equation as a model for economic development planning. This model is shown in Figure B, below. The model is intended to indicate the relationships between and among the three variables that affect economic growth – Community Development, Business Development, and Leadership – and the factors most relevant for consideration in planning. For Community Development those factors arise from the six foundation areas, while in Business Development they arise from factors associated with business retention, attraction and expansion associated with the three business groups that are of particular concern in economic development planning.

The Leadership component includes all of those functions critical to effective planning, as well as those – such as communicating, cooperating and coordinating – that are seen as vital to overcoming some of the biases and tensions that affect most group efforts.

We label the last box "desired economic development outcomes" rather than "economic development" in order for the reader to understand that the fruits of economic development are not direct products of the economic developer's efforts. Those efforts are intended to influence the community's competitive position for business retention, expansion and attraction, which in turn creates the outcomes desired. This will be additionally discussed below.

FIGURE B: Economic Development Planning Model



Economic Development Programming: Working Strategies, Not Tactics

Earlier in this paper we addressed the difference between strategy and tactic, defining strategy as those things which answer the question “What ought we to do?” to achieve our vision of development success, and tactics as including those things which answer the question “How ought we to do it?” Tactics usually describe the projects, programs or activities that will be conducted to implement the strategies.

Where local economic development plans often fail is in focusing on the tactics that result from the plan’s goals and strategies rather than clearly articulating the relationship between goals (what we wish to accomplish as a result of our efforts), strategies (the approaches we wish to take to achieve our goals), and their relationship to the tactics (the projects, programs and activities) we will use to implement the strategies. It is human nature to want to “do something” to improve a situation, but for the economic development plan to be successful, it needs to make sure that the things that it is “doing” are the things it “ought to do” to achieve the ends it desires.

Because we desire to build upon local development strengths and improve areas in which the community is weak, as the material in the section above indicates, most economic development plans start with a set of needs or problems to be solved that will improve the municipality’s competitive position for business retention, expansion and attraction. This allows us to establish goals. Consider an example that may help clarify the distinctions we are making.

Let us suppose that after conducting a review of its current situation, a community finds that the local economy is not sufficiently diverse to ensure economic stability and is not making use of market sectors that while currently small, are ripe for growth, and therefore could add to local diversity if they were to grow. Because of this, the community establishes as its goal:

> To diversify the local economy through growth in identified absent sectors and in small but promising existing sectors.

This goal makes two logical suppositions. The first is that adding growth in existing sectors does not help the local economy become more diverse. The second is that local economic diversity can be assisted by the expansion of existing small firms or clusters of firms that are not in the core market segments that make up the bulk of the local economy.

What ought the community to do – the strategy – to achieve this goal? The goal begins to identify an intention by the community to attract businesses in sectors its does not have (as one cannot “grow” diversity), and help the ones in the local market grow that, while promising, are simply not large enough at the present time to make a difference.

This leads to two potential strategies to answer the question “what ought we to do?”:

> Strategy 1 might be: Attract businesses in identified sectors that are currently absent in the local economy but for which the area has identified competitive advantages.
>
> Strategy 2 might be: Secure the expansion of existing businesses in small but promising sectors.

Strategy 1, then, adopts business attraction as the strategy to achieve the goal of greater diversity, while Strategy 2 adopts expansion as the strategy.

Under each of these strategies the plan would identify all the tactics – programs, projects and activities – that would be used to carry out the strategies. For example, the first strategy would require such activities as: identifying the absent sectors that could make use of the community's advantages; identifying businesses in these sectors that are relocation targets; preparing a marketing plan to approach the targeted businesses; and so forth. This is shown in Figure C, to the right.

This approach is also relevant to assessing the success of the local economic development plan and establishing metrics and measures for them, and this will be addressed further in a later section of this paper.

FIGURE C
Goal to Strategy to Tactics

Goal	Strategy to Achieve Goal	Tactics to Implement Strategy
To diversify the local economy through growth in identified absent sectors and in small but promising existing sectors.	Strategy 1: Attract businesses in identified sectors that are currently absent in the local economy but for which the area has identified competitive advantages.	1.a. Identify absent sectors that could make use of the community's advantages; 1.b. Identify businesses in these sectors that are relocation targets; 1.c. Prepare a marketing plan to approach the targeted businesses; 1.d. etc.
	Strategy 2: Secure the expansion of existing businesses in small but promising sectors.	

If the vision is understood and goals identified through an analysis of the community's situation at the time of planning, strategies can be developed. How then are they formulated in such a way as to link business and community development as our simple economic development formula suggests?

Economic Development Strategy Formulation: Linking Business Development and Community Development

Of course no community can demonstrate strengths in all of the foundation areas, but to the extent that a community can expand on its strengths and mitigate its weaknesses, it becomes better able to support business retention, expansion and attraction: more development-ready. But the economic developer also needs to realize that the expectations of core, supporting/linking and new market enterprises concerning the nature and strength of these foundations may differ by type of enterprise, so this must be taken into account in strategy development. This means that the development of local growth strategies should begin with the economic developer linking CD needs with the three types of enterprises that are the targets of the effort.

As above when BD was discussed, the task is to identify strategies intended to strengthen the foundation areas in support the retention, expansion and attraction of the identified enterprise groups. It may be useful to consider the CD component of strategy development using the matrix shown in Figure D, below.

Note that this diagram also is shaded to indicate that meeting the Community Development needs of the existing core enterprises should be of greater importance than that of the supporting/linking enterprises, which have a higher priority over the new market enterprises. This is because the core enterprises are the major, driving businesses in the local economy, and the supporting enterprises are more important to the core enterprises long-term health than are the new market ones.

FIGURE D: Linking Community and Business Development

IDENTIFIED CD NEEDS	Core Enterprises [by identified business group]	Supporting Enterprises [by identified business group]	New Market Enterprises [by identified business group]
Workforce	Strategies	Strategies	Strategies
Infrastructure	Strategies	Strategies	Strategies
Technology & Intellectual Capital	Strategies	Strategies	Strategies
Financial Capital	Strategies	Strategies	Strategies
Pro-Competitive Development Policies	Strategies	Strategies	Strategies
Social Infrastructure & Local Amenities	Strategies	Strategies	Strategies

The reader should understand that this may change by community and community need. For example, in a community with strong core and supporting enterprises, diversification of the local economy may be of significant importance, meaning that efforts focus on the attraction of new businesses in new markets. Equally, in a community with few businesses, all economic development strategies may be directed toward the attraction of new market businesses.

Strategy is emphasized here because economic development plans often fail when tactics become more important than the strategies they are intended to implement. This is because:

- Working strategies rather than tactics allows for greater flexibility in implementation. Strategies provide for the direction of the plan's efforts, while tactics are simply the identified means of movement in those directions. There may be many means available to the community to implement a strategy, and new ones not originally contemplated may be identified as implementation of the plan continues. If one focuses on the activities instead of the strategy they are intended to implement, the opportunity for conducting different, and perhaps better, activities may be lost over time.

- If developed thoughtfully, a focus on the strategies to be implemented can provide a clearer understanding of the relationship between Business Development and Community Development than do tactics. Since tactics are intended to implement individual strategies, they do not tend to be cross-cutting at first view. This can cause the economic developer to lose focus, assuming that the activity – the tactic – is the end itself, rather than just a means to an end.

- Strategies allow for the community to focus on outcomes rather than processes or events. This improves the economic developer's ability to recognize results and manage efforts to achieve them. This will be considered again below in discussing plan assessment.

Programs, projects and activities are important elements of the economic development plan, but only to the extent that they are necessary and incidental to the successful implementation of one or more strategies.

Economic Development Assessment: Managing the Plan for Results

So how does the relationship between local economic development plan goals, strategies and tactics help with economic development plan assessment? That is, how do we establish an assessment structure that will allow us to manage for results?

We would suggest that in assessing local activities the economic developer keep three basic rules in mind:

- Only count what you can touch.
- Not all measures are created equally.
- Different "levels" require different measures.

The Problem of Counting What You Touch

It is not uncommon for the economic developer to want to assess larger changes in the local economy that are associated with the vision that the plan creates. But all should be aware that while these changes are desired, many of them cannot be controlled directly – or in many cases, indirectly – by the economic developer, because changes in the economy are caused by many forces, including larger market ones. This creates a challenge to the effective assessment of plan results.

Let's assume, for example, that the community establishes as one of its measures job retention in a particular sector. The loss of jobs in this sector due to a national restructuring of the industry, or the bankruptcy of a national firm that has operations in the community, should not count in the review of local economic development plan success. The local economic developer has no direct or indirect control over these events, so any losses related to them should not be attributed to a failure of the plan. The local economic developer simply does not "touch" these matters so cannot be held responsible for the job losses they create.

Conversely, if the economic development plan has as one of its goals an increase in manufacturing, and has established as one of the barriers to manufacturing growth the inadequacy of its municipal sewer system, it may have established as a strategy the improvement of this system within five years. Remember, strategies establish what we ought to do while tactics describe how we ought to do it.

If in year six of the plan, businesses targeted for attraction do not select the community because its sewer infrastructure is inadequate, this event should be counted as a failure of the plan and efforts undertaken to determine why the tactics selected have not been successful in accomplishing the identified strategy. Improving the sewer system was something that the economic development plan indicated could be "touched".

This understanding should also be a consideration as goals, strategies and tactics are developed.

For example, this author has reviewed many local economic development plans that call for the economic development group to “encourage”, “advise”, or “communicate with” other entities with the intent that this will cause these other entities do things that would further the plan. While all of these efforts may be admirable, the economic developer has no authority over these other entities; they are not within his or her “touch”. In these cases, and upon evaluation and assessment of plan success, the economic developer is left with only an activity to report upon: a letter was sent, a meeting was held, and so forth. This provides little guidance related to plan success and is indicative of only a shallow approach to implementation, focusing more on whether or not activities have been carried out than whether the activities really accomplish anything.

We would suggest that the economic development plan focus specifically upon outcomes that the economic developer clearly has the authority and ability to achieve, allowing for a better allocation of responsibility and an emphasis on assessing those things the plan can actually accomplish.

For example, one local plan establishes “economic diversification” as a “strategy”. Under this plan several five-year targets are identified, among them the certification of a specific number of new “shovel-ready” sites, 500 visitations with employers that yield “meaningful data” and “project leads”, and the retention/expansion of 1,500 jobs with wages above the county average.

The identification and certification of shovel ready sites is certainly within the range of outcomes that the economic developer can touch, and is a reasonable measure of *activity,* not economic diversity *outcome,* if there is a clear relationship between the absence of development-ready sites and greater local business diversity. The 500 visitations are also something that the local economic developer can touch, although one would have to come to terms with what constitutes “meaningful data” or a “project lead” for the measure to be useful.

The more problematic measure is the job creation/retention one. As noted previously, the creation or retention of jobs is not something that the economic developer can touch – at least not directly – and is often influenced for better or worse by larger market forces outside of the economic developer’s control. Since it is a gross number, it can leave the economic developer unclear as to what portions of any job gain he or she should credit to the plan’s efforts.[1] And within the context of the stated strategy – economic diversity – it leaves unclear whether or not the jobs created were in areas any more “diverse” than already exist in the local economy.

At best in this case, job gain figures are a gross indicator of the performance of the over-all local economy, not a useful measure of economic development *plan* success.

The Problem of Economic Development Plan Measures

The matter of only counting what you can touch shows itself in other ways, including the development of measures. Often we assume that because we have named something that can be counted and is associated with economic growth, we have established a useful measure. This is not always the case as the example above, in which the outcome was expected to be “meaningful data” and “project leads”, indicates. To expand on this point, let us return to the use of job growth data as an indicator of plan success.

One local economic development plan established as a goal the community becoming “the home to a diverse and growing economy”. In large part its measure of overall plan success was to reach a certain targeted job growth goal over a specified period of time. But in selecting a general goal for job growth for the purpose of assessing plan success, it did not make the distinction ostensibly called for by the goal itself: quantifying the improvement in economic diversity. For example: Would an increase in jobs in existing market sectors yield diversity?; If the goal is to make the local economy more diverse, how diverse should it be?; In terms of job growth, how will this diversity be measured and over what period of time?; And is job growth the best measure of local *economic* growth *or* diversity in any event?

It is not surprising that this community selected job growth as one of its basic measures of plan success; many if not most communities do. Communities want more jobs, and those involved in the planning want to provide them. But the use of job growth in-and-of itself as a measure of economic development plan success exemplifies two problems in this planning: (i) it assumes that by naming a measure, all things we consider under that name are equal; and (ii) it presumes some link between the measure and what the plan is intended to accomplish. This can be applied to a number of other measures often used other than job growth, but we will use job growth as our example as it is so often used as a primary measure of success.

The first problem we note is that simply counting a thing does not tell us much about the quality of the thing or give us much understanding of it: jobs for example. Jobs may differ by pay-range, permanency, skill-level, and so forth. To assume that all jobs are equal for the purpose of performance assessment is to assume that 100 minimum wage jobs in the fast food industry are equivalent to 100 jobs in manufacturing or 100 engineers in the Intel research and development center. We know that jobs are not all equal, so it is often a better approach to select measures that have a fixed and known value: dollars for example. Using dollars as our measure, we could accomplish the same end by tracking overall increase in dollar value of wages, per capita wage or wage rate gains, or even capital investment.

Using measures such as a general increase in jobs may also cause the planner to lose the link between the plan’s strategic intent — what is to be accomplished — and the measure of its accomplishment. Using our previous example of a goal of economic diversity, job growth in existing sectors is not the specific outcome the plan calls for. It is useful to know whether job growth has occurred, but what the planner particularly wants to know is the extent to which this growth has occurred outside of existing sectors. If jobs have grown, but only in existing sectors, diversity has not been accomplished and the plan’s strategies to achieve the goal must be reconsidered.

This problem becomes particularly apparent when the economic developer allows activities associated with tactics to replace strategies when planning.

For example, one local economic development program reviewed established as a performance metric the assembling annually of a set number of volunteers to carry out community beautification projects in support what is identified as a “Community Impact” strategy. This is clearly an activity measure that allows for some assessment. But what it does not address is whether or not any beautification projects get done, how many get done, where they get done, or the quality or extensiveness of the doing. The meat of the thing appears to be the beautification of an area or areas (the strategy), not the gathering of volunteers (a tactic to carry out the strategy), but no measure of strategy success is identified.

A measure is only useful to the extent that one can determine (i) whether or not the thing intended to be done was actually done, and (ii) the measure is logically related to the goal to be achieved by the plan. In the case above, one assumes that it is the beautification of the community, not the assembly of volunteers, which is intended to have a community impact. The counting of the number of volunteers does not address the intended result, but is simply a measure of one activity found necessary to implement the strategy. Using the measure this economic development effort does, the planner would still not know if any part of the community had been beautified at the end of the day as no strategic result has been measured.

The Problem of "Levels"

Like other plans, economic development plans are most often structured by levels. For example, and as suggested in this paper and shown in Figure E, (i) the community's vision, (ii) its goals to achieve the vision, (iii) the strategies selected to accomplish the goals, and (iv) the tactics identified to implement the strategies.

FIGURE E: Typical Economic Development Plan Structure

This being the case, we suggest that the economic development plan be assessed on three levels.

The first, and highest, level is intended to determine whether or not the local economy is moving in the direction the economic developer plans for and desires. This level of assessment is intended to determine the extent to which the community is moving toward its vision, and may serve more as an on-going assessment of the local economy than of the economic development plan.

At the highest level – the advancement of the community as a whole and its vision – economic performance can be measured in many ways, including such things as: growth of community wealth; growth in individual wealth; improved match between workforce skills and business needs; economic stability arising from business-base diversity; and so forth. For the Sangamon County region some are suggested by the SSCRPC's *SangStat Regional Indicators Pilot Project*. For example, the SangStat project includes performance indicators associated with Labor Force Employment, Growth in Wealth, Employment Stability and Growth in Wages, Business Establishments, Crime, Health and Well Being, and Environment. Typically this level of assessment involves a limited number of large and more general indicators, similar to a dashboard.

But any performance indicator at this level is only useful if it is compared to something. Often communities compare their present to their past; like a runner keeping his or her best time over a course. This sort of measurement is very useful because the community wants to know if it is moving ahead of where it was or falling behind. But one must remember that economic development is done in a competitive environment.

Economic development occurs in places, and businesses often look at market regions as they consider moving or expanding, so it is equally (and perhaps more) useful to compare outcomes with other similar or “like” communities in the competitor region. They can provide benchmarks for assessment. For example the *SangStat* indicators compare Sangamon County to three similar competitor areas in the larger region: Champaign, McLean and Peoria counties. Other approaches are possible, for example the Corporation for Enterprise Development (CfED) offered an approach based upon types of communities a number of years ago.

Because of their nature, these larger measures of a community’s economy will often be assessed by *performance* measures and should be the focus of the community’s economic “scorecard”. Let us return to our example above. In this particular case the community determined that to achieve its vision it needed to diversify its local economy. Its performance, then, should be measured by whether it is accomplishing this end: to what extent has its economy become more diverse over the time period as planned? And as suggested above, it needs to compare any change in its economic diversity to those in other communities to determine whether or not the changes that have occurred are the result of its actions rather than simply larger changes in the regional, state or national economies. This requires some thoughtful analysis.

If a community were to find, for example, that where three economic sectors made up 60% of the local economy at the beginning of its economic development effort, but now four do at the end of the period for which it has implemented its strategies, does this mean that its strategies have worked? Not if the economic developer finds that: the change has occurred simply because the overall local economy and its three major industries have shrunk, as the results would represent simply the outcome of a smaller “pie”; and most likely not if the same change occurred in the other areas being used for comparison, as this would likely indicate the results of larger market changes rather than the strategies the economic developer implemented.

At this highest level, general job growth may be an acceptable indicator of local economic performance, but it is not a good indicator of the performance of the economic development plan. For this purpose we need to consider the next two levels.

The second level of measurement and analysis suggested is the assessment of the success of the strategies selected to achieve desired goals: Are they having the desired effect?; What are their *outcomes*?

Above we offered the example of a community that had establish as a goal diversifying the local economy through growth in identified absent sectors and in small but promising existing sectors. Two potential strategies were suggested:

- **Strategy 1:** Attract businesses in identified sectors that are currently absent in the local economy but for which the area has identified competitive advantages.

- **Strategy 2:** Secure the expansion of existing businesses in small but promising sectors.

As previously noted, at base the first is an attraction strategy and the second is an expansion one.

How then might we assess the success of these strategies? There are a number of measures that might be used to determine outcome, such as:

> **Measures for Strategy 1**: a) job growth in targeted industries, business groupings/ clusters, or sectors; b) capital investment growth in these targeted areas; c) percentage of job growth in the target sectors vis-à-vis the economy as a whole; and d) capture ratio of "suspects" to "prospects" to "clients".

The reader will note that we do not use total job growth or total capital investment in the community as measures for this strategy, just that of the target areas, as the intention is to diversify the economy, not simply add more to what already exists there. We do however compare the percentage of growth in the target areas to overall growth, as that is a means of determining if the new industries are increasing their share of the total economic "pie".

And we include the final measure (suspects v. prospects v. clients) as a strategic measure of economic development staff performance. What we are trying to determine with this last measure is the economic developer's success in moving those who initially contact the community or are approached by it (suspects), into those who actively contemplate a project in the community (prospects), and then actually take some actions to do so (clients).[2]

A similar approach can be taken with the second strategy:

> **Measures for Strategy 2:** a) job growth in promising identified areas; b) capital investment in promising sectors; c) percentage of job growth vis-à-vis existing sectors.

We do not include the final measure used for Strategy 1, because Strategy 2 is related to expansion of existing firms in the community, not the attraction of new ones.

The reader should also note that in both cases we tie the measures directly to targeted industries. We do this because the strategies suggest that industries have been identified for which the community holds some special competitive advantages, or could hold such advantages if various strategies were successfully implemented. This gets the assessment of economic development success outside of a "shoot it if it flies, claim if it falls" mindset.

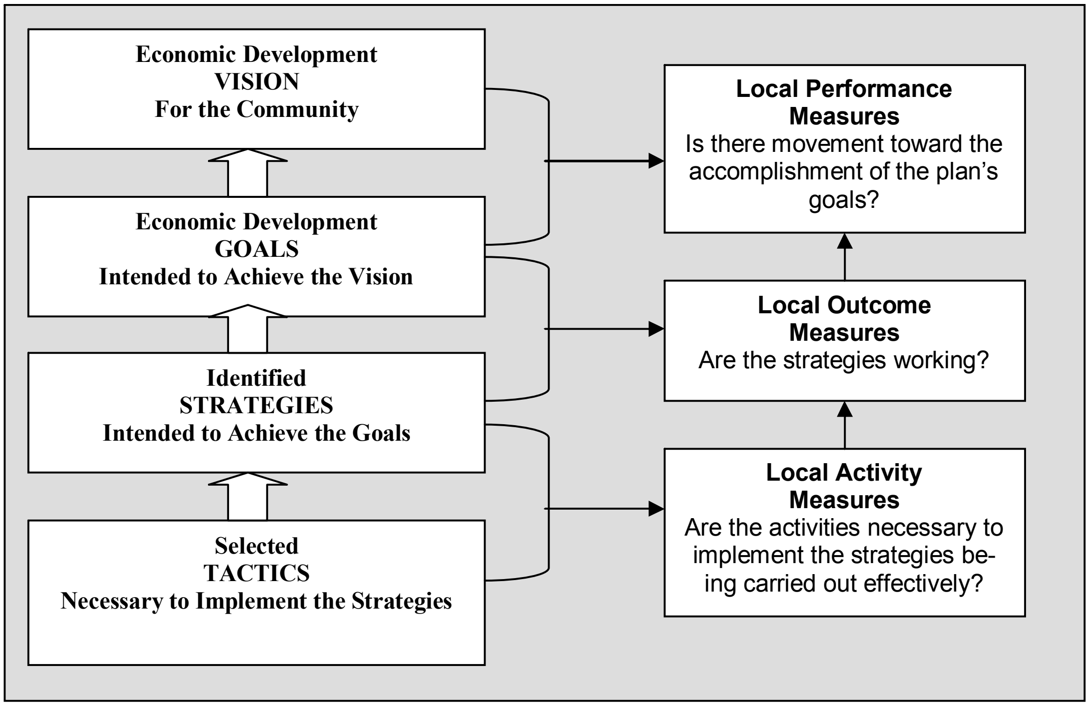
The third level of assessment deals with tactics and will most often be assessed by *activity* measures. Since the purpose of a tactic is to implement a strategy, from a management perspective we need to know if the activities contemplated are actually getting done, how well, and when.

Above we mentioned a plan that included annually attracting a specified number of volunteers for local beautification projects. The previous objection to this was to its use as a measure of *strategy* to achieve a goal, not as a measure of *activity*. If it is necessary and essential to the implementation of a beautification strategy that volunteers be assembled, the number of volunteers attracted to the task is an adequate measure of the activity. What might also be included as part of this measure is by when each year the necessary number volunteers will be brought together, and it should also be associated with other measures indicating whether or not they were put to work and what was then accomplished. It would also be beneficial for the plan to indicate who is responsible for the task, and therefore who is touching the activity being measured.

As most managers are well aware of activity measures and how they might be used to manage for results, we will not address them further here.

This then leaves the economic development planner with a structure something like that shown in Figure F, below.

FIGURE F: Economic Development Plan Structure in Relationship to Measures for Assessment



Local performance measures attempt to determine movement toward or away from the plan's goals, providing a link between the community's vision and the goals it has adopted to achieve the vision. The outcome measures selected should help the economic developer determine if the strategies selected are working, and help tie strategies to the goals they are intended to accomplish. And finally, the activity measures are intended to help the economic developer ensure that the tasks necessary to implement the strategies are being carried out, on time, and with the intended effect.

In Conclusion

This paper was not meant to provide guidance for the operation of a local economic development program or project, but to make some suggestions as to concepts and potential problems that should be considered when such programs or projects are planned. It begins with the contention that the planning activity cannot stand alone, but must also include consideration of programming (as this relates to planned strategies and tactics), and how the results the results of the effort will be assessed, so that improvements to the plan can be made.

It also attempts to address three areas in which local economic development plans often fail:

- A lack of understanding of the basic *components* of economic development that should be considered as plans are made: Community Development, Business Development, and Leadership.

- A tendency to focus on the tactics needed to implement strategies rather than the strategies themselves.

- When evaluating economic development program success, a tendency to focus on large measures that are often outside of the economic developer's control, or to focus on measures of activity which provide the economic developer with little opportunity to manage for the results the plan contemplates.

Whatever the approach taken, the important lessons are that economic development is not an activity but an outcome, and the outcomes to be measured should be based upon the changes in the local area that the economic developer desires to generate as a result of his or her efforts.

Endnotes

1. To give just one example of the types of problems this sort of approach can cause, the author attended one meeting of a local economic development group that was using a gross job creation/retention figure as one of its major performance measures. The question was raised as to whether or not the jobs retained at a government facility that was targeted for closure should be counted against the group's target figure following the decision that the facility would not be closed. As the group had opposed the closure of the facility, the specific question put to the group was whether the group should "take credit" for the jobs retained and count them against their jobs performance measure. The question was finally resolved by the members of the group voting that, yes, they would count them and take such credit. Unfortunately there was nothing in their plan or their measures that would allow such a judgment, and it presumed that only this groups efforts were the cause of all the jobs to be retained, allowing the group to count the total number of jobs rather than just some portion of them. Typically a measure is not a good one if it requires a vote to determine what should or should not be counted.

2. The reader should note that this division does not require that a "client " actually locate in the community. This is because a final decision by a business to locate in an area is a business decision by the firm and is not, therefore, considered to be something that the economic developer can "touch". What can be touched is the community's final standing in the site selection process. Since the economic developer does touch the process, it is reasonable that tracking and measuring how often the community makes the final "cut" for projects be considered when managing for results.

Other Related SSCRPC Papers

Sims, E.N. (2008). *Economic Development Tools for Local Government*: Applying the hard tools and soft skills of economic development. 2008 Real Estate Development and Finance Conference. Chicago, IL. SSCRPC: Springfield, IL.

Sims, E.N. (2008). *Understanding the Local Development Environment:* Advice for developers and their associates. 2008 Real Estate Development and Finance Conference. Chicago, IL. SSCRPC: Springfield, IL.

Sims, E.N. (2010). Why Planning May Fail: Considering the role of organizational "bounding" in public agency strategic planning, *Planning Matters.* SSCRPC: Springfield, IL.

Springfield-Sangamon County Regional Planning Commission

SSCRPC
Sangamon County Complex
200 South 9th Street, Room 212
Springfield, Illinois 62701-1629

Phone: 217-535-3110
Fax: 217-535-3111
E-mail: sscrpc@co.sangamon.il.us

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